



AUSTIN

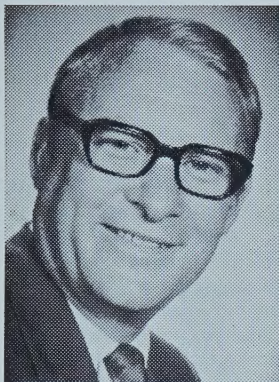
INVESTMENT CORPORATION LTD.

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HEAD OFFICE BUILDING, VANCOUVER, B.C.

ANNUAL REPORT



A Report from Your Managing Director

On behalf of your Board of Directors, I am presenting this report on our second year of operations as a Public Company. I am sure that our shareholders are aware of what a difficult year 1970 was for the Real Estate industry, and unfortunately the adverse business conditions did affect our operating results for the fiscal year ended September 30, 1970. The consolidated net income for the year was \$29,987 as compared to \$51,240 in the prior year. The earnings per share decreased from 5.9 cents per share in 1969 to 3.0 cents per share in 1970, based on a greater number of issued shares.

We are pleased that despite the tight money conditions and the continual reluctance of prospective buyers to accept the higher costs of financing, there was virtually no decline in our residential real estate sales volume. The 10% decrease in our total sales volume, from \$15,107,440 to \$13,576,060 is attributable to decreased sales of revenue, commercial and industrial properties. The movement of these properties was affected both by the difficulties of financing and the anticipated changes in income tax legislation as presented in the White Paper.

In the past few weeks there have been indications from mortgage lenders that the supply of funds will be more plentiful in 1971. There has also been a significant easing of the interest rates for both mortgage funds and bank financing. These factors should motivate many buyers who have been undecided on the purchase of a home, and we anticipate a healthy increase in our residential sales volume during the current fiscal year. The continual increase in the population of young married couples is also supplying a steady flow of new buyers to the market. If the final basis of taxing income and capital gains for 1972 and subsequent years is announced late in the spring of 1971, as

presently scheduled, hopefully the position of prospective investors will be clarified and the demand for revenue properties will be revived. A. E. Austin & Co. Ltd. have also been appointed the exclusive agents for two recreational developments which will be extensively publicized in British Columbia early in 1971.

The management has reduced or eliminated expenses whenever and wherever possible during the past year. This is evidenced by the fact that the total operating and administrative expenses decreased between the years ended September 30, 1969 and 1970. Numerous frill expenses have been eliminated, a tight control has been placed on the advertising budget, and the number of management and clerical employees has been reduced.

As forecast in our interim report, the positive cash flow in the last six months of the fiscal year has placed your company in a very liquid cash position at September 30, 1970. At that date we were only utilizing twenty per cent of our authorized bank financing. The cash inflow resulted mainly from our curtailment of residential construction last spring because of the slow market for new houses and the expensive financing.

The Directors are presently deciding upon the prudent placement of our available funds. We have allotted an amount to our mortgage department for the increase of our portfolio, providing each transaction meets certain specified terms. We have also agreed to resume financing residential builders on a limited basis. These commitments will still leave sufficient funds available to take advantage of any forthcoming attractive investment opportunities which may require immediate performance. We are considering the development of a new type of apartment project for this area, and we are interested in obtaining an equity position in established, profit-oriented businesses.

The third Shakey's Pizza Parlor developed by Bellvan Pizza Parlors Ltd. opened for business in Richmond on November 4, 1970. This has utilized only a portion of the property and provision has been made for the construction of an office building on the same site in the future. The sales volume attained by all three Parlors has been totally satisfactory to date. The net earnings to date have been disappointing and we attribute this to a lack of proper control over the costs of sales and expenses. The Directors of this Company representing you on Bellvan's Board have applied sufficient pressure to ensure that this trend is corrected. We are now confident that more of the earnings potential of the Parlors will be apparent in our next fiscal year. The opening of the third Parlor provides an enlarged base for the absorption of management and publicity costs and will also result in savings through volume purchasing. Investors in Prince George are now constructing a Parlor in that city which will further publicize Shakey's name in British Columbia. It is anticipated that Bellvan will continue the expansion of Shakey's throughout the lower mainland at a steady pace in the future.

I am pleased to inform the shareholders that Mr. Harvey A. McDiarmid has joined our Board of Directors. Mr. McDiarmid is active in the house construction and mining fields and has already proffered many worthy opinions at our meetings. It is our intention to present a resolution to the shareholders at the forthcoming annual meeting to increase our Board of Directors from seven to nine in number. The present Directors intend to propose that Mr. G. Douglas McDonald then be appointed to the Board. Mr. McDonald is engaged in the mining and petroleum industries and has a good knowledge of the real estate development business. The addition of these two men would mean that five of our eight Directors would not be actively engaged in the day to day operations of our businesses. We believe this is valuable since Directors appointed from within the operations often have difficulty viewing a company's problems from an independent perspective. We find that our Directors from the business community present new and varied points of view and opinions on our operations and investment proposals.

The Directors are thankful for the continuing loyalty shown by our shareholders, employees and clients. We anticipate a great future for the Austin Group in both the sales market and the stock market with your support and participation.

December 21, 1970
Vancouver, B.C.

On behalf of your Board of Directors
RONALD R. HUNTER, Managing Director

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

September 30, 1970 and 1969

ASSETS		
	<u>1970</u>	<u>1969</u>
CURRENT ASSETS		
Cash	\$ 63,362	\$ 162,952
Less: Clients' funds held in trust	63,270	134,425
	<u>92</u>	<u>28,527</u>
Commissions and other accounts receivable	110,166	148,360
Notes and loans receivable	37,326	6,065
Construction financing to builders	9,166	57,401
Construction financing to Fraserview Holdings Ltd.	10,524	18,895
Inventory of trade properties, at cost	73,431	24,841
Inventory of lots and houses, at cost	49,588	109,210
Accrued interest receivable	2,457	4,053
Prepaid expenses	5,313	8,256
Current portion of agreements and mortgages receivable	23,000	61,755
	<u>321,063</u>	<u>467,363</u>
 AGREEMENTS AND MORTGAGES RECEIVABLE (Note 1)	 389,875	 401,286
Less: Current portion	23,000	61,755
	<u>366,875</u>	<u>339,531</u>
 DEFERRED INCOME TAXES (Note 2)	 1,237	 2,257
 INVESTMENTS AND ADVANCES (Note 3)	 185,368	 155,087
 FIXED ASSETS, net (Note 4)	 51,728	 47,495
 INCORPORATION AND ORGANIZATION EXPENSES	 11,788	 9,789
 On Behalf of the Board		
"R. R. HUNTER," Director		
"R. L. SAUNDERS," Director		
	<u>\$ 938,059</u>	<u>\$ 1,021,522</u>

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

September 30, 1970 and 1969

	1970	1969
CURRENT LIABILITIES		
Bank overdraft	\$ 34,948	\$ 18,850
Bank loans (Note 5)	43,000	163,000
Accounts payable and accrued liabilities	23,924	33,934
Commissions payable to salesmen	63,846	62,629
Mortgages payable on houses held for resale	38,891	—
Corporation income taxes payable	5,849	21,344
Deferred real estate commission income	10,343	9,617
Due on purchase of shares (Note 7)	—	6,092
Current portion of long-term liabilities	4,269	3,380
	<u>225,070</u>	<u>318,846</u>
 LONG-TERM LIABILITIES (Note 6)	 170,793	 196,823
 DEFERRED INCOME		
Unearned discounts on agreements and mortgages receivable	54,205	52,697
 MINORITY INTEREST IN SUBSIDIARY COMPANY	 11,574	 10,210
 SHAREHOLDERS' EQUITY		
Share Capital: (Note 7)		
Authorized		
250,000 7% cumulative redeemable preference shares of \$1.00 each		
3,000,000 common shares of no par value		
Issued		
17,500 preference shares	17,500	17,500
1,005,000 common shares	313,613	308,613
	<u>331,113</u>	<u>326,113</u>
Retained Earnings	148,288	119,617
Excess of cost over book value of shares of subsidiary company	(2,984)	(2,784)
	<u>476,417</u>	<u>442,946</u>
	 <u>\$ 938,059</u>	 <u>\$ 1,021,522</u>

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the Years Ended September 30, 1970 and 1969

	1970	1969
REVENUE		
Real estate commissions	\$ 1,007,528	\$ 1,079,436
Deduct: Other agents' commissions	306,709	308,210
Multiple listing service fees	22,016	15,854
	<u>328,725</u>	<u>324,064</u>
	678,803	755,372
Finance department	14,588	21,863
Property management department	15,961	20,903
Conveyancing department	39,535	39,213
Interest earned	56,803	53,340
Mortgage discounts earned	5,282	7,168
Construction revenue	202,581	152,147
Other revenue	5,858	6,655
	<u>1,019,411</u>	<u>1,056,661</u>
COSTS AND EXPENSES		
Construction costs	188,653	144,563
Advertising	49,907	55,902
Building expenses - branch and head office	39,842	34,419
Depreciation	5,529	7,871
Interest and bank charges	24,477	25,918
Printing, stationery and office supplies	15,944	20,660
Salaries and employee benefits	180,406	187,663
Salesmen's commissions	379,561	410,167
Other administrative and overhead expenses	104,753	91,822
	<u>989,072</u>	<u>978,985</u>
NET OPERATING INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	30,339	77,676
Income taxes - regular	2,820	22,896
- deferred	942	1,213
Minority interest in earnings of subsidiary company	1,364	5,444
	<u>5,126</u>	<u>29,553</u>
NET OPERATING INCOME	25,213	48,123
SHARE OF NET INCOME OF NON-SUBSIDIARY COMPANIES (Note 3)	4,774	3,117
NET INCOME (Note 10)	29,987	51,240
RETAINED EARNINGS - Beginning of Year	119,617	70,144
	<u>149,604</u>	<u>121,384</u>
Deduct: Dividends paid - preference shares	1,225	1,225
Adjustment of prior year's income	91	542
	<u>1,316</u>	<u>1,767</u>
RETAINED EARNINGS - End of Year	<u>\$ 148,288</u>	<u>\$ 119,617</u>

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Years Ended September 30, 1970 and 1969

SOURCE OF FUNDS

	1970	1969
Provided by operations (see below)	\$ 33,396	\$ 55,538
Principal payments received on agreements and mortgages	82,329	71,044
Recovery of advances to Fraserview Holdings Ltd.	—	11,740
Recovery of advances to Park Ridge Towers Ltd.	1,745	—
Advances by shareholders	—	5,524
Increase in loans and mortgages payable	25,807	739
Share capital - issued for cash	5,000	298,600
- subscriptions received	—	4,413
Deposits on two-way radios	1,450	—
	<u>149,727</u>	<u>447,598</u>

APPLICATION OF FUNDS

Purchase of agreements and mortgages	102,896	143,963
Advances to Bellvan Pizza Parlors Ltd.	27,252	135,000
Investment in Park Ridge Towers Ltd.	—	16,942
Purchase of additional shares of A. E. Austin & Co. Ltd.	200	25,020
Purchase of fixed assets - net of disposal proceeds	15,391	21,568
Recapitalization and reorganization expenditures	2,000	9,511
Principal payments on notes and mortgages payable	19,464	2,864
Preferred share dividends	1,225	1,225
Repayment of shareholder's advances	33,823	—
	<u>202,251</u>	<u>356,093</u>

INCREASE (DECREASE) IN WORKING CAPITAL	(52,524)	91,505
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WORKING CAPITAL POSITION - Beginning of Year	<u>148,517</u>	<u>57,012</u>
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WORKING CAPITAL POSITION - End of Year	<u>\$ 95,993</u>	<u>\$ 148,517</u>
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FUNDS PROVIDED BY OPERATIONS

Net income for the year	\$ 29,987	\$ 51,240
Add: Minority interest in earnings of subsidiary	1,364	5,444
Depreciation and amortization	11,101	7,871
Loss on sale of assets	58	55
Deferred income taxes	942	1,213
	<u>43,452</u>	<u>65,823</u>
Deduct: Mortgage discounts earned	5,282	7,168
Net income of non-subsiidiary companies (Note 3)	4,774	3,117
	<u>10,056</u>	<u>10,285</u>
	<u>\$ 33,396</u>	<u>\$ 55,538</u>

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 1970 and 1969

1. Agreements and Mortgages Receivable

The agreements and mortgages receivable are secured by certain properties and are subject to prior charges of \$40,430. Unearned discounts are brought into income in proportion to the principal payments received during each period.

2. Deferred Income Taxes

In its accounts, the company has recorded depreciation in excess of the amount claimed for income tax purposes. The income tax on this excess, to be amortized against future profits, amounts to \$1,237 at September 30, 1970.

3. Investments and Advances

	1970	1969
(a) Investments:		
Bellvan Pizza Parlors Ltd.		
160,000 common shares, at cost		
(40% interest)	\$ 80,200	\$ —
40% of net income since acquisition...	1,505	—
Fraserview Holdings Ltd.		
3 Class "A" and 25 Class "B" common shares, at cost (25% interest)	28	28
25% of net income since acquisition....	2,639	1,209
Park Ridge Towers Ltd.		
2 common shares, at cost		
(25% interest)	15,197	16,942
25% of net income since acquisition...	3,747	1,908
	<u>\$ 103,316</u>	<u>\$ 20,087</u>
(b) Advances:		
Bellvan Pizza Parlors Ltd.	\$ 82,052	\$ 135,000
The advances to Bellvan Pizza Parlors Ltd. are not secured by specific charges on assets of that company or its subsidiaries.		
(c) During the year \$80,000 in advances to Bellvan Pizza Parlors Ltd. (owner/operators of Shakey's Pizza Parlors in B.C.) were exchanged for 160,000 common shares (40%) of that company. The supporting details of the investments in the non-subsidary companies at September 30, 1970 are as follows:		
Bellvan Pizza Parlors Ltd. (40% interest)		
Share of net tangible assets	\$ 44,246	
Excess of cost over net tangible assets...	37,459	
Carrying Value of Investment		81,705
Fraserview Holdings Ltd. (25% interest)		
Share of net tangible assets	2,835	
Excess of net tangible assets over cost...	168	
Carrying Value of Investment		2,667
Park Ridge Towers Ltd. (25% interest)		
Share of net tangible assets	25,005	
Excess of net tangible assets over cost...	6,061	

Carrying Value of Investment 18,944
\$ 103,316

(d) Included in consolidated net income are the following proportionate amounts of the net earnings of the non-subsidary companies:

	1970	1969
Bellvan Pizza Parlors Ltd.	\$ 1,505	\$ —
Fraserview Holdings Ltd.	1,430	1,209
Park Ridge Towers Ltd.	1,839	1,908
	<u>\$ 4,774</u>	<u>\$ 3,117</u>

4. Fixed Assets, at cost

	1970	1969
Cost:		
Automobiles	\$ 6,280	\$ 6,280
Office furniture and equipment	49,499	47,752
Construction equipment	842	967
Leasehold improvements	17,245	16,135
Radio equipment	25,944	13,377
	<u>99,810</u>	<u>84,511</u>
Accumulated Depreciation:		
Automobiles	3,664	2,543
Office furniture and equipment	34,949	31,338
Construction equipment	662	97
Leasehold improvements	4,946	2,631
Radio equipment	3,861	407
	<u>48,082</u>	<u>37,016</u>
Net Book Value	<u>\$ 51,728</u>	<u>\$ 47,495</u>

5. Bank Loans

The bank loans are secured by the hypothecation of a number of agreements and mortgages receivable.

6. Long-Term Liabilities

	1970	1969
Loans and note payable - unsecured (net of current portion):		
Promissory note, payable at \$161.76 per month including interest at 6%	\$ 5,515	\$ 7,084
Loan payable - R. S. Hunter, interest at 8½% payable monthly	31,200	31,200
Loan payable - R. R. Hunter, interest at 8½% payable semi-annually	298	34,121
Other loans payable - bearing interest at 8½% to 10%	35,400	43,960
Mortgage loans payable	40,430	23,958
	<u>112,843</u>	<u>140,323</u>
Debentures payable	56,500	56,500

Deposits on mobile radio leases	1,450	—
	<u>\$ 170,793</u>	<u>\$ 196,823</u>

The company is authorized to issue \$100,000 Series "A" debentures of which \$56,500 have been issued to September 30, 1970. These debentures, bearing interest at 7% payable semi-annually, are secured by a floating charge on all assets of the company and are to be redeemed in yearly instalments of 20% of the principal outstanding, commencing in 1972.

7. Share Capital

During the year a special resolution of the shareholders increased the authorized common share capital from 1,000,000 to 3,000,000 shares. 5,000 of these shares were issued in satisfaction of a liability existing at September 30, 1969 whereby the company purchased an additional 34% interest in A. E. Austin & Co. Ltd.

8. General

- (a) During the year a subsidiary company, Mariposa Holdings Ltd., sold 12 houses with an aggregate sales value of \$257,000. The company is in the business of financing the trading of these houses and earns \$100 commission for each house sold, plus costs. Only the commissions earned are reflected as revenue in these financial statements.
- (b) In January, 1966, the company entered into a 10 year employment agreement with its Managing Director, Mr. R. R. Hunter, providing for a salary to him of 10% of the net income of Austin Investment

Corporation Limited before income taxes.

9. Contingent Liabilities

- (a) A. E. Austin & Co. Ltd. is liable for the payment of a lifetime pension of \$500 per month to its former Managing Director. The actuarial evaluation of this liability at August 5, 1966 amounted to \$67,680 for which the subsidiary has furnished a debenture as collateral security. Payments totalling \$24,500 have been made towards this liability to September 30, 1970.
- (b) A. E. Austin & Co. Ltd. is contingently liable with respect to a pending lawsuit arising out of the sale and conveyance of a property. In the event the company is not successful in defence of this lawsuit, the maximum liability would approximate \$4,000.

10. Earnings per Share

	1970	1969
Average common shares outstanding	<u>1,005,000</u>	<u>863,142</u>
Basic earnings per share	<u>3.0c</u>	<u>5.9c</u>
The number of common shares outstanding during 1969 was calculated on the weighted semi-monthly average determined as follows:		
Shares outstanding - October 1, 1968		701,400
298,600 shares issued March 15, 1969		
(298,600 x 13/24)		161,742
		<u>863,142</u>

AUDITORS' REPORT

To the Shareholders,
Austin Investment Corporation Limited and Subsidiary Companies

We have examined the consolidated balance sheet of Austin Investment Corporation Limited and subsidiary companies as at September 30, 1970, and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported upon the financial statements for the preceding year.

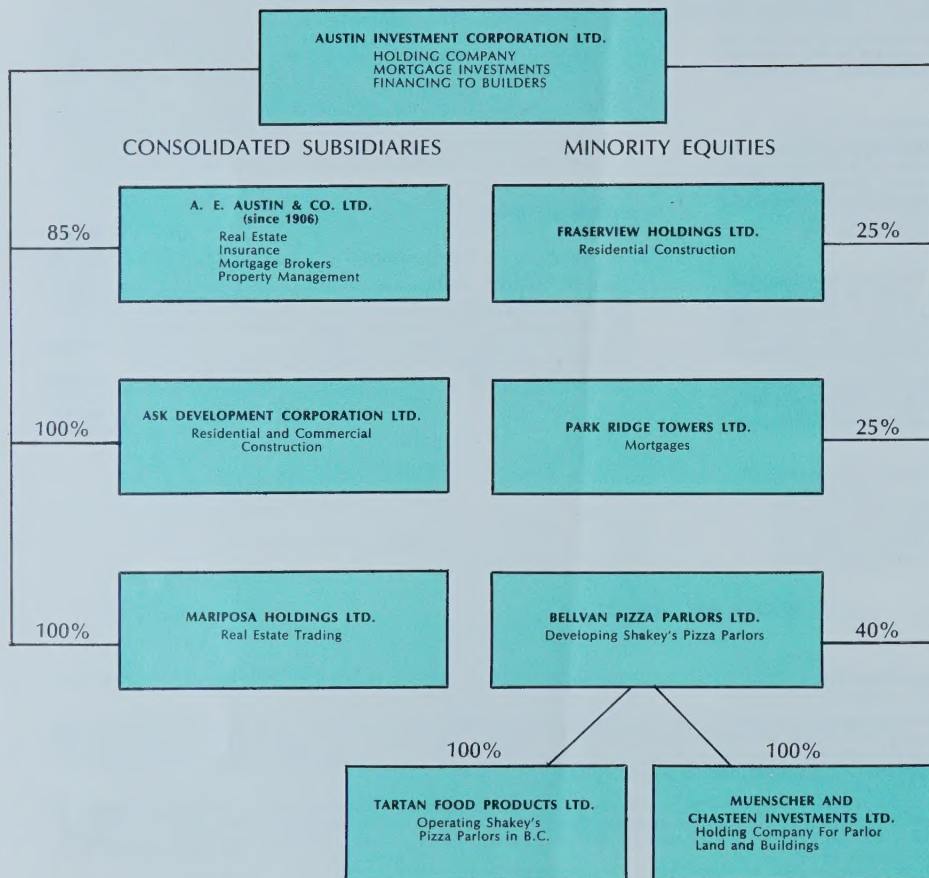
A substantial portion (20%) of the companies' assets represent investments in and advances to non-subsidiary companies which were not subjected to audit for the year ended September 30, 1970. A portion of the net earnings of the non-subsidiary companies for the year ended September 30, 1970, amounting to \$4,774 (or \$.005 per share), has been included in the consolidated net income for the year, which is not in accordance with generally accepted accounting principles.

In our opinion, except for the inclusion of income from the non-subsidiary companies and the unaudited investment in and advances to those companies, as set out in the preceding paragraph, these financial statements present fairly the financial position of the company as at September 30, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
November 20, 1970.

YOUNG, PEERS, MILNER & CO.
Chartered Accountants

THE AUSTIN GROUP CORPORATE STRUCTURE



DIRECTORS AND OFFICERS

RONALD R. HUNTER,
Managing Director

ROWAT S. HUNTER,
President

WILFRED T. MOONEY,
Vice-President

THOMAS LINDSAY,
Treasurer

HARRY T. WELLS,
Secretary

ROBERT L. SAUNDERS

HARVEY A. McDIARMID

REGISTRAR AND TRANSFER AGENTS

NATIONAL TRUST COMPANY,
Vancouver

AUDITORS

YOUNG, PEERS, MILNER & CO.
Chartered Accountants, Vancouver

SOLICITORS

DuMOULIN, STORROW & BLACK
KINCAID, EPSTEIN & COMPANY
Vancouver

STOCK LISTED

VANCOUVER STOCK EXCHANGE
Vancouver

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SUBSIDIARY COMPANIES:

A.E. Austin & Co. Ltd. - 85%
Ask Development
Corporation Ltd. - 100%
Mariposa Holdings Ltd. - 100%

MINORITY EQUITIES:

Shakey's Pizza Parlors - 40%
Bellvan Pizza Parlors Ltd.
Tartan Food Products Ltd.
Muenscher and Chasteen
Investments Ltd:
Fraserview Holdings Ltd. - 25%
Parkridge Towers Ltd. - 25%

AUSTIN

INVESTMENT CORPORATION LTD.

HEAD OFFICE

1435 Kingsway, Vancouver 12

BRANCH OFFICE

1348 Marine Drive,
North Vancouver

**INTERIM REPORT TO
SHAREHOLDERS
FOR THE SIX MONTHS
ENDED MARCH 31, 1970.**

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MANAGING DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to report that during the first six months of the current fiscal year the Austin Group maintained its stable financial position and achieved substantial increases in revenues. The Real Estate sales agency, A.E. Austin & Co. Ltd., increased its sales volume to \$7,004,000. for the six months, an increase of 13% over the volume of \$6,195,000. in the same portion of the previous year. During the same period the total volume of Real Estate sales in the Greater Vancouver area decreased.

The companies' total revenues increased 41% over last year due mainly to our increased involvement in the general construction business. The revenue of the construction division increased to \$151,986. The consolidated net income after income taxes and minority interest for the six months was \$11,526., an increase of 20% over the net income for the first half of the 1969 fiscal year. Shown below is a comparison of the revenue and earnings figures for the two six month periods:

COMPARISON OF REVENUES AND EARNINGS

SIX MONTHS ENDED MARCH 31

	1970	1969	% of INCREASE
Real Estate Sales volume	\$7,003,960	\$6,195,300	13%
Construction division revenue	151,986	32,277	371%
Total revenues	576,449	408,007	41%
Net Earnings	11,526	9,621	20%

Since a major proportion of our earnings are produced by the Real Estate agency, our revenues and earnings are quite seasonal. The first six months of our fiscal year includes the poorest selling months while the last six months from April to September are all prime selling months. It is significant to note that the consolidated net income for the year ended September 30, 1969 was \$51,240., and only \$9,621, or 19% of this net income was earned in the first six months of that fiscal year. The small amount of net earnings in the first six months of the current fiscal year therefore cannot be construed as an indication of what the earnings may be for the full year. The Directors do consider it significant that the revenues and earnings for the first six months are ahead of last year.

The Directors realize at this time that it will require extremely prudent business management to require an improvement in operating results in the last six months of the current fiscal year over the latter half of the 1969 fiscal year. The effect of conditions such as the scarcity and high cost of mortgage funds and the labour turmoil in British Columbia are of concern. However, it is in times such as this that the well-established Real Estate organization, operating with a sound core of experienced salesmen and the most sophisticated equipment to assist them, should have a definite advantage. A.E. Austin & Co. Ltd. has been in business since 1906 and has operated successfully through previous periods of adverse economic conditions. Our salesmen also have the advantage of working with the ASK Computer System and our recently installed two-way radio system to salesmen's cars. In addition, management is conducting a thorough review of all operating expenses, with expense reductions being effected wherever possible.

The Company will have a substantial cash flow in the next few months from maturing mortgages and notes and the Directors have therefore given thought to the types of investment available. The lack of available speculative mortgages for new house construction and the current troubles in the construction industry have persuaded the Directors to temporarily reduce the Company's activity in this division. At the same time we have decided to add to the Company's mortgage portfolio, as the interest rate offered for mortgage funds has never been more attractive.

The expansion program for Shakey's Pizza Parlors is continuing satisfactorily. A financing commitment has been obtained from the Industrial Development Bank for the construction of the unit on Granville Avenue near No. 3 Road in Richmond and tenders have now been called. During the past six months, Austin Investment Corporation advanced \$24,000. of interim construction financing to Bellvan Pizza Parlors Ltd. at an interest rate of 15% per annum.

On behalf of the Board, I wish to thank our shareholders, employees and clients for maintaining their loyalty to Austins. We will continue to do our utmost to justify their confidence.

On behalf of your Board of Directors
RONALD R. HUNTER, Managing Director

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 1970

(with comparative figures at March 31, 1969)
(Subject to Audit)

	1970	1969		1970	1969
ASSETS			LIABILITIES		
Cash	\$ 8,828	\$182,972	Bank loans - secured	\$173,000	\$ 25,500
Receivables	221,790	179,956	Commissions payable - salesmen	70,792	79,856
Inventory of trade properties, at cost	57,551	—	Accounts, payable and accrued	28,583	25,247
Inventory of lots and new houses, at cost	84,921	54,819	Corporation income taxes payable	15,422	3,592
Prepaid and deferred expenses	4,662	9,489	Deferred real estate revenue	13,966	11,499
Agreements and mortgages receivable	393,397	410,208	Loans and notes payable	133,342	202,594
Deferred income taxes	1,647	—	Debentures payable	56,500	56,500
Investments and advances			Advances from Parkridge Towers Ltd.	1,174	
Bellvan Pizza Parlors Ltd.			Deferred revenue - mortgage and agree-		
Investment (40% equity), at cost	80,000	—	ment discounts	55,212	63,319
Advances	79,000	—	Minority interest in subsidiary	10,170	19,152
Fraserview Holdings Ltd.					
Investment (25% equity), at cost	28	28			
Advances and share of earnings					
since acquisition	1,209	19,855			
				\$ 558,161	\$487,259
Parkridge Towers Ltd.			SHAREHOLDERS' EQUITY		
Investment (25% equity), at cost	15,940	—	Share capital		
Share of earnings since acquisition	2,840	—	Authorized - 250,000 7% preference		
Fixed assets, at cost less accumulated			shares, par value \$1.00		
depreciation	53,127	33,360	- 3,000,000 common shares, no		
Incorporation and organization expenses	11,789	9,209	par value		
			Issued and fully paid 17,500		
			preference shares	\$ 17,500	\$ 17,500
			- 1,005,000 common shares		
			(1969 1,000,000)	313,613	308,613
			Retained earnings, per statement	130,439	75,091
			Excess of cost over book value of shares		
			in subsidiary company	(2,984)	11,433
				\$ 458,568	\$412,637
				\$1,016,729	\$899,896

Approved on behalf of the Board:

Director

Director

NOTE TO FINANCIAL STATEMENTS

Changes in Accounting Practice

Multiple Listing Service fees recoverable and auditing fees payable have been accrued at March 31, 1970, resulting in a net increase of \$1,593, in income before income taxes. These items were not accrued in previous years.

A.E. Austin & Co. Ltd. has recorded in its accounts depreciation charges in excess of the amounts claimed for income tax purposes. The deferred income tax charges on this excess amounted to \$2,999, at March 31, 1969, which was credited to retained earnings after that date. This amount has been reduced by deferred income taxes of \$1,352 provided for since April 1, 1969, leaving a balance of \$1,647.

AUSTIN INVESTMENT CORPORATION LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS For The Six Months Ended March 31, 1970 (with comparative figures for 1969)	CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS For The Six Months Ended March 31, 1970 (with comparative figures for 1969)
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	1970	1969
Revenue		
Real Estate commissions	\$528,449	\$451,594
Less: Commissions paid to other agents and Multiple Listing Boards	178,251	141,829
	<u>350,198</u>	<u>309,765</u>
Conveyancing, mortgaging and property management fees	34,891	38,314
Construction revenue	151,986	32,277
Interest and mortgage discounts	36,036	23,678
Other revenue	3,338	3,973
	<u>\$576,449</u>	<u>\$408,007</u>

Costs and Expenses

Salesmen's commissions	\$194,949	\$165,805
Construction costs	138,769	33,009
Advertising	31,117	23,500
Building expenses	20,572	17,402
Interest	16,890	10,229
Salaries	108,692	85,077
Other administrative expenses	54,859	57,013
	<u>\$565,848</u>	<u>\$392,035</u>

Net Income Before Income Taxes and Minority Interest

	\$ 10,601	\$ 15,972
Income tax provision (recovery)	(885)	2,769
	<u>\$ 11,486</u>	<u>\$ 13,203</u>
Minority interest in earnings of subsidiary	(40)	3,582

Net Income for the Period \$ 11,526 \$ 9,621

Add: Retained Earnings, beginning of period

119,617	66,674
<u>\$131,143</u>	<u>\$ 76,295</u>

Deduct: Dividends paid and sundry adjustments

704	1,204
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Retained Earnings, March 31 \$130,439 \$ 75,091

Source of Funds

Net Income for the Period, before minority interest	\$ 11,486	\$ 13,203
Add: Depreciation and amortization	5,591	4,039
Deferred income taxes	610	—
	<u>\$ 17,687</u>	<u>\$ 17,242</u>
Deduct: Mortgage discounts earned	\$ 3,037	\$ 3,616
Share of net income of Parkridge Towers Ltd. for period	932	—
	<u>\$ 3,969</u>	<u>\$ 3,616</u>

Funds provided from Operations \$ 13,718 \$ 13,626

Principal payments received on agreements and mortgages 38,299 32,232

Issue of common shares 5,000 303,013

Additional loans received — 11,229

Advances from Parkridge Towers Ltd. 1,174 —

Dividends received from Parkridge Towers Ltd. out of pre-acquisition surplus 1,002 —

\$ 59,193 \$360,100

Application of Funds

Purchase of agreements and mortgages - net \$ 10,440 \$ 68,665

Advances to Bellvan Pizza Parlors Ltd. 24,000 —

Fixed asset additions - two way radio mobiles 9,439 —

- other 1,784 3,545

Loans, notes and mortgages repaid 43,084 21,575

Organization and financing costs 2,200 8,931

Advances to Fraserview Holdings Ltd. — 8,115

Dividends paid and sundry 704 713

\$ 91,651 \$111,544

Increase (Decrease) in Working Capital

\$(32,458) \$248,556

Working Capital, September 30, 1969 and 1968 \$148,517 \$ 57,012

Increase (Decrease) in Working Capital (32,458) 248,556

Working Capital, March 31, 1970 and 1969 \$116,059 \$305,568